

STATE OF ALASKA

DEPARTMENT OF COMMERCE AND ECONOMIC DEVELOPMENT

ALASKA PUBLIC UTILITIES COMMISSION

May 15, 1996

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File: CC 96-98

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FCC FILE ROOM

Mr. William F. Caton
Acting Secretary
Federal Communications Commission
1919 M Street, N.W.
Washington, D.C. 20554

Re: CC Docket No. 96-98

DOCKET FILE COPY ORIGINAL

Dear Mr. Caton:

Enclosed are an original and twelve copies of the Comments of the Alaska Public Utilities Commission in response to the Notice of Proposed Rulemaking released on April 19, 1996, by the Federal Communications Commission in CC Docket No. 96-98 (FCC 96-182).

Sincerely,

ALASKA PUBLIC UTILITIES COMMISSION



Don Schröer
Chairman

Enclosures

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MAY 16 1996

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

FILED ROOM

In the Matter of

Implementation of the Local
Competition Provisions in the
Telecommunications Act
of 1996

CC Docket No. 96-98

Comments of the
Alaska Public Utilities Commission

Date: May 15, 1996

Don Schröer, Chairman
Alaska Public Utilities Commission
1016 West Sixth Avenue, Suite 400
Anchorage, Alaska 99501

Executive Summary

The APUC recognizes that Congress charged the Federal Communications Commission (FCC) with responsibility for establishing rules to implement the national policy embodied in the Telecommunications Act of 1996 (The Act). The APUC is concerned that explicit national rules adopted to implement Sections 251 and 252 of The Act will not address the unique geography and population characteristics of Alaska. The APUC does not believe that the FCC should adopt explicit rules regarding the pricing of wholesale rates. States have designed rates to advance policy goals unique to their states. It does not appear that the FCC's explicit national pricing rules would preserve a state's ability to set reasonable retail rates.

The APUC urges the FCC to address "basic" questions regarding good-faith negotiation as soon as possible.

The APUC agrees with the FCC's tentative conclusion that under The Act authority related to exemptions for rural and small local exchange carriers is reserved to states.

1 Concerns Regarding a Nationwide Cost Model

2 At paragraph 33 of the NPRM, the FCC states in pertinent
3 part:

4 [T]here may be countervailing concerns that could weigh
5 against rules that significantly explicate in some
6 detail the statutory requirements of sections 251 and
7 252. Adopting explicit national rules, in certain
8 circumstances, might unduly constrain the ability of
9 states to address unique policy concerns that might
10 exist within their jurisdictions. The case for per-
11 mitting material variability among the states could be
12 strengthened if there are substantial state-specific
13 variations in technological, geographic, or demographic
14 conditions in particular local markets that call for
15 fundamentally different regulatory approaches.

16 The APUC is concerned that explicit national interconnection rules
17 may not adequately address the particular policy concerns
18 presented by Alaska's unique geography and demographics.

19 Eighty-eight percent² of all cities and villages in Alaska
20 are in isolated, rural areas that have extremely low populations
21 (under 1000 people). Over 90 percent of all communities in
22 Alaska, including the state capital, are not accessible by road
23 and are considered high cost and rural under national standards.
24 It is therefore likely that the availability of universal service
25 support will determine the level of local competition in the rural
26 areas of Alaska. The APUC is concerned that any explicit national
interconnection rules based on national averages may not appro-
priately consider the high cost of providing service in rural
Alaska.

²1990, Census of Population and Housing, Summary Social,
Economic, & Housing Characteristics, Alaska, Table 11.

Before the
Federal Communications Commission
Washington, D.C. 20554

In the Matter of)
)
Implementation of the Local)
Competition Provisions in the)
Telecommunications Act) CC Docket No. 96-98
of 1996)
)

Comments of the
Alaska Public Utilities Commission

The Alaska Public Utilities Commission (APUC) welcomes the opportunity to file comments in response to the Notice of Proposed Rulemaking (NPRM) released on April 19, 1996, in CC Docket No. 96-98. The APUC recognizes that Congress charged the FCC with responsibility for establishing rules to implement national policy embodied in the Telecommunications Act of 1996 (The Act). Section 251(d)(1) of The Act instructs the FCC to "establish regulations to implement the requirements of [section 251]"¹ within six months after the enactment of The Act (August 8, 1996). The APUC is concerned that explicit national rules adopted to implement Sections 251 and 252 of The Act will not address the unique geography and population characteristics of Alaska.

¹The Act, sec. 101, § 251(d)(1).

1 A generic- or average-cost methodology that would set costs
2 based on a "one-size-fits-all" approach using a simple model to
3 estimate cost may not work well when applied to Alaska or any
4 other state with characteristics different from the model.³ If a
5 cost-estimating model is adopted, it should consider all relevant
6 cost parameters, including subscriber density, average distance
7 from the nearest wire center, terrain, slope, surface char-
8 acteristics, climate, road accessibility, scale economies,
9 regional labor costs, network topography, and possibly other
10 factors.⁴

11
12 Duty To Negotiate in Good Faith

13 At paragraph 47 of the NPRM, the FCC seeks comment on the
14 extent to which it should establish national guidelines regarding
15 good-faith negotiation under section 251(c)(1), noting allegations
16 that some incumbent local exchange carriers (LECs) have refused
17 to begin negotiations with requesting carriers. The APUC believes

18
19
20
21
22 ³While most of the United States benefits from low-cost
23 fiber-optic transmission, most of Alaska depends on satellite
24 transmission for interexchange service. Extending fiber-optic
25 cable to Alaska's many remote communities would be prohibitively
26 expensive because of Alaska's vast distances, low population,
terrain, and numerous remote communities. Rural Alaska is,
therefore, unable to benefit from the low, per-unit cost of fiber-
optic technology that is generally available elsewhere.

⁴See APUC Comments, CC Docket 80-286, at 26-31.

1 that in certain cases there may be legitimate confusion regarding
2 interconnection timelines⁵ and standards.⁶ LECs may have valid
3 questions regarding whether negotiations can begin until the FCC's
4 rules are final. The APUC urges the FCC to address "basic"
5 questions such as this as soon as possible.

6 Pricing Rules

7
8 At paragraph 117 in the NPRM, the FCC tentatively concludes
9 that the statutory language of 251 establishes the FCC's authority
10 under section 251(d) to adopt pricing rules to ensure that rates
11 for interconnection, unbundled network elements, and collocation
12 are just, reasonable, and nondiscriminatory. The FCC also
13 tentatively concludes that it has statutory authority to define
14 "wholesale rates" for purposes of resale and "reciprocal com-
15 pensation arrangements" for transport and termination of tele-
16 communications.

17 The APUC does not believe that the FCC should adopt explicit
18 pricing rules. State commissions have designed rates to advance
19 policy goals unique to their states. The NPRM notes that
20 ". . . rates charged to end users for local exchange service,
21

22 ⁵For example, Section 251(f)(1)(B) requires state commissions
23 to establish implementation schedules that are "consistent in time
24 and manner with [FCC] regulations."

25 ⁶For example, many of the standards under which
26 interconnection must occur may be further refined by the FCC in
this proceeding. In some cases negotiations and arbitration may
be well underway or nearing the statutory deadline for completion
by the time the FCC's rules are formalized.

1 which have traditionally been subject to state authority, continue
2 to be subject to state authority."⁷

3 The APUC's telecommunications rate design decisions have been
4 guided by six public policy objectives: (1)preserving and pro-
5 moting universal service; (2)promoting efficient use and enhance-
6 ment of the network; (3)discouraging uneconomic bypass and
7 arbitrage; (4)fostering a high quality of service; (5)evaluating
8 and, as appropriate, promoting or discouraging competition; and
9 (6)establishing costing methodologies and a regulatory structure
10 that promote quality service at just and reasonable rates.
11 Subsidy is implicit in a rate designed to keep residential rates
12 affordable and to promote the ubiquity of local service.

13 In some exchanges in Alaska, residential rates are partially
14 supported by competitive or discretionary services. It is unclear
15 how or if the FCC's wholesale pricing methodology can consider
16 this aspect of local rate design. Wholesale interconnection rates
17 may someday be higher than local residential rates. If retail
18 rates are based on wholesale rates, FCC's explicit national
19 pricing rules would undermine a state's ability to set reasonable
20 retail rates.

26 ⁷NPRM ¶40.

1 Rural Exemptions

2 At paragraph 261 in the NPRM, the FCC tentatively concludes
3 that authority related to exemptions for rural and small LECs is
4 reserved to states. The APUC agrees with that tentative con-
5 clusion. Twenty-two of the twenty-three LECs currently authorized
6 to operate in Alaska qualify for rural exemption under The Act.
7 The twenty-third LEC has less than 2 percent of the nation's
8 access lines, therefore qualifying for suspension or modification
9 of interconnection obligations. What constitutes the exception
10 in most states is the rule in Alaska.

11
12 RESPECTFULLY SUBMITTED this 15th day of May, 1996.

13 BY DIRECTION OF THE COMMISSION

14 

15
16 By: Commissioner Don Schröer, Chairman
Alaska Public Utilities Commission

17
18 cc: William F. Caton
19 Acting Secretary
Federal Communications Commission

20 Attached list
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24
25
26

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